

Notes to the Consolidated Financial Statements (continued)

There are allegations that the company acted improperly in connection with the PBR plan, and the ICC and others are reviewing these allegations. On June 27, 2002 the Citizens Utility Board (CUB) filed a motion to reopen the record in the ICC's proceedings to review the PBR plan (the ICC Proceedings). As a result of the motion to reopen, Nicor Gas, the Cook County State's Attorney Office (CCSAO), the staff of the ICC and CUB entered into a stipulation providing for additional discovery. The Illinois Attorney General's Office has also intervened in this matter. In addition, the Illinois Attorney General's Office issued Civil Investigation Demands (CIDs) to CUB and the ICC staff. The CIDs ordered that CUB and the ICC staff produce all documents relating to any claims that Nicor Gas may have presented, or caused to be presented, false information related to its PBR plan. Parties who were plaintiffs in a dismissed class action proceeding against the company could potentially intervene in these proceedings. The company has committed to cooperate fully in the reviews of the PBR plan.

In response to these allegations, on July 18, 2002, the Nicor Board of Directors appointed a special committee of independent, non-management directors to conduct an inquiry into issues surrounding natural gas purchases, sales, transportation, storage and such other matters as may come to the attention of the special committee in the course of its investigation. The special committee presented the report of its counsel (Report) to Nicor's Board of Directors on October 28, 2002.

In response, the Nicor Board of Directors directed the company's management to, among other things, make appropriate adjustments to account for, and fully address, the adverse consequences to ratepayers of the items noted in the Report, and conduct a detailed study of the adequacy of internal accounting and regulatory controls. The adjustments were made in financial statements resulting in a \$24.1 million liability at December 31, 2003. Included in such \$24.1 million adjustments is a \$4.1 million loss contingency. In addition, Nicor Gas estimates that there is \$26.9 million due to the company from the 2002 PBR plan year, which has not been recognized in the financial statements due to uncertainties surrounding the PBR plan. The net of these items results in a \$2.8 million reimbursement the company is seeking as of December 31, 2003, pending resolution of the proceedings discussed below. The company has taken steps throughout 2003 to correct the weaknesses and deficiencies identified in the detailed study of the adequacy of internal controls.

Pursuant to the agreement of all parties, including the company, the ICC re-opened the 1999 and 2000 purchased gas adjustment filings for review of certain transactions related to the PBR plan and consolidated the reviews of the 1999-2002 purchased gas adjustment filings with the PBR plan review.

On February 5, 2003, the CCSAO and CUB filed a motion for \$27 million in sanctions against the company in the ICC Proceedings. In that motion, CCSAO and CUB alleged that Nicor Gas' responses to certain CUB data requests were false. Also on February 5, 2003, CUB stated in a press release that, in addition to \$27 million in sanctions, it would seek additional refunds to consumers. On March 5, 2003, the ICC staff filed a response brief in support of CUB's motion for sanctions. On May 1, 2003, the Administrative Law Judges issued a ruling denying CUB and CCSAO's motion for sanctions. CUB has filed an appeal of the motion for sanctions with the ICC, and the ICC has indicated that it will not rule on the appeal until the final disposition of the ICC proceedings. It is not possible to determine how the ICC will resolve the claims of CCSAO, CUB or other parties to the ICC Proceedings.

Notes to the Consolidated Financial Statements (continued)

In November 2003, the ICC staff, CUB, CCSAO and the Illinois Attorney General's Office (IAGO) filed their respective direct testimony in the ICC Proceedings. The ICC staff is seeking refunds to customers of approximately \$108 million and CUB and CCSAO were jointly seeking refunds to customers of approximately \$143 million. The IAGO direct testimony alleges adjustments in a range from \$145 million to \$190 million. The IAGO testimony as filed is presently unclear as to the amount which IAGO seeks to have refunded to customers. On February 27, 2004 the above referenced intervenors filed their rebuttal testimony in the ICC Proceedings. In such rebuttal testimony, CUB and CCSAO amended the alleged amount to be refunded to customers from approximately \$143 million to \$190 million. Nicor Gas filed rebuttal testimony in January 2004, which is consistent with the findings of the special committee Report and, as noted above, seeks a reimbursement to Nicor Gas of approximately \$2.8 million.

Nicor Gas is unable to predict the outcome of any of the foregoing reviews or the company's potential exposure thereunder. Because the PBR plan and historical gas costs are still under ICC review, the final outcome could be materially different than the amounts reflected in the company's financial statements as of December 31, 2003.

SEC and U.S. Attorney Inquiries. In 2002, the staff of the United States Securities and Exchange Commission (SEC) informed the company that the SEC is conducting a formal inquiry regarding the PBR plan. A representative of the Office of the United States Attorney for the Northern District of Illinois has notified the company that that office is conducting an inquiry on the same matter that the SEC is investigating, and a grand jury is also reviewing this matter. Nicor Gas is unable to predict the outcome of these inquiries or Nicor Gas' potential exposure related thereto and has not recorded a liability associated with the outcome of this contingency.

Mercury. Nicor Gas has incurred, and expects to continue to incur, costs related to its historical use of mercury in various kinds of company equipment.

Nicor Gas is a defendant in several private lawsuits, all in the Circuit Courts of Cook and DuPage Counties, Illinois, claiming a variety of unquantified damages (including bodily injury, property and punitive damages) allegedly caused by mercury-containing regulators. Under the terms of a class action settlement agreement, Nicor Gas will continue, until 2006, to provide medical screening to persons exposed to mercury from its equipment, and will use its best efforts to replace any remaining inside residential mercury regulators by 2005. The class action settlement permitted class members to "opt out" of the settlement and pursue their claims individually. Nicor is currently defending claims brought by 28 households.

As of December 31, 2003, Nicor Gas had remaining an estimated liability of \$21.9 million, representing management's best estimate of future costs, including potential liabilities relating to remaining lawsuits, based on an evaluation of currently available information. Actual costs may vary from this estimate. The company will continue to reassess its estimated obligation and will record any necessary adjustment, which could be material to operating results in the period recorded.

Nicor Gas continues to pursue recovery from insurers and independent contractors that had performed work for the company, but believes that it has now collected the majority of such recoveries. When received, these recoveries are recorded as a reduction to gas distribution operating expense. Nicor Gas recovered approximately \$18 million and \$20 million of pretax mercury-related costs, net of legal fees, from insurers and independent contractors in 2003 and 2002, respectively.

The final disposition of these mercury-related matters is not expected to have a material adverse impact on the company's financial condition.

Notes to the Consolidated Financial Statements (continued)

Manufactured Gas Plant Sites. Manufactured gas plants were used in the 1800's and early to mid 1900's to produce manufactured gas from coal, creating a coal tar byproduct. Current environmental laws may require the cleanup of coal tar at certain former manufactured gas plant sites.

To date, Nicor Gas has identified about 40 properties for which it may, in part, be responsible. Most of these properties are not presently owned by the company. Information regarding preliminary site reviews has been presented to the Illinois Environmental Protection Agency (IEPA) for certain properties. More detailed investigations and remedial activities are complete, in progress or planned at many of these sites. The results of the detailed site-by-site investigations determine the extent additional remediation is necessary and provide a basis for estimating additional future costs which, based on industry experience, could be significant. In accordance with ICC authorization, the company is and has been recovering these costs from its customers, subject to annual prudence reviews.

In December 2001, a purported class action lawsuit was filed against Exelon Corporation, Commonwealth Edison Company and Nicor Gas in the Circuit Court of Cook County alleging, among other things, that the ongoing cleanup of a former manufactured gas plant site in Oak Park, Illinois is inadequate. Since then, additional lawsuits have been filed related to this same former manufactured gas plant site. These lawsuits seek, in part, unspecified damages for property damage, nuisance, and various personal injuries that allegedly resulted from exposure to contaminants allegedly emanating from the site, and punitive damages. Management cannot predict the outcome of this litigation or the company's potential exposure thereto and has not recorded a liability associated with this contingency.

In April 2002, Nicor Gas was named as a defendant, together with Commonwealth Edison Company, in a lawsuit brought by the Metropolitan Water Reclamation District of Greater Chicago (the MWRDGC) under the Federal Comprehensive Environmental Response, Compensation and Liability Act seeking recovery of past and future remediation costs and a declaration of the level of appropriate cleanup for a former manufactured gas plant site in Skokie, Illinois now owned by the MWRDGC. In January 2003, the suit was amended to include a claim under the Federal Resource Conservation and Recovery Act. The suit was filed in the United States District Court for the Northern District of Illinois. Management cannot predict the outcome of this litigation or the company's potential exposure thereto and has not recorded a liability associated with this contingency.

Since costs and recoveries relating to the cleanup of manufactured gas plant sites are passed directly through to customers in accordance with ICC regulations, subject to an annual ICC prudence review, the final disposition of manufactured gas plant matters is not expected to have a material impact on the company's financial condition or results of operations.

Other. In addition to the matters set forth above, the company is involved in legal or administrative proceedings before various courts and agencies with respect to general claims, rates, taxes, environmental, and other matters. Although unable to determine the ultimate outcome of these other contingencies, management believes that it has recorded appropriate liabilities when reasonably estimable.

Notes to the Consolidated Financial Statements (concluded)

16. QUARTERLY RESULTS (UNAUDITED)

Summarized quarterly financial data is presented below (in millions).

	Quarter ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
<u>2003</u>				
Operating revenues	\$ 1,096.7	\$ 379.5	\$ 223.4	\$ 652.0
Operating income	50.4	26.4	6.2	35.5
Net income (loss)	41.5	18.5	(2.8)	25.8
<u>2002</u>				
Operating revenues	\$ 516.5	\$ 282.0	\$ 172.7	\$ 623.6
Operating income	38.2	30.1	34.0	41.3
Net income	32.6	20.9	25.8	29.8

Effective January 1, 2003, Nicor Gas began using the straight-line method for allocating annual depreciation to interim periods. Nicor Gas' 2002 results include depreciation allocated based upon the level of weather-normalized gas deliveries. While this change had a significant impact on quarterly results, it has no impact on depreciation for the full year. Had 2002 depreciation been allocated on a straight-line basis, it is estimated that depreciation expense would have been lower by approximately \$22 million and \$7 million in the first and fourth quarters of 2002, respectively, and higher by approximately \$12 million and \$17 million in the second and third quarters of 2002, respectively.

The fourth quarter of 2002 included the positive impact of a \$9 million pretax mercury reserve adjustment and the negative impact of establishing a \$4.1 million pretax loss contingency reserve related to the PBR plan review.

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION**

Line No.	Item (a)	Total (b)	Electric (c)
1	UTILITY PLANT		
2	In Service:		
3	Plant in Service (Classified)	3,361,662,142	
4	Property Under Capital Leases		
5	Plant Purchased or Sold		
6	Completed Construction not Classified	262,668,844	
7	Experimental Plant Unclassified		
8	TOTAL (Enter Total of lines 3 thru 7)	3,624,330,986	
9	Leased to Others		
10	Held for Future Use		
11	Construction Work in Progress	20,159,424	
12	Acquisition Adjustments		
13	TOTAL Utility Plant (Enter Total of lines 8 thru 12)	3,644,490,410	
14	Accum. Prov. for Depr., Amort., & Depl.	2,019,649,188	
15	Net Utility Plant (Enter total of line 13 less 14)	1,624,841,222	
16	DETAIL OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION		
17	In Service:		
18	Depreciation	2,013,219,084	
19	Amort. and Depl. of Producing Nat. Gas Land and Land Rights		
20	Amort. of Underground Storage Land and Land Rights	6,430,104	
21	Amort. of Other Utility Plant		
22	TOTAL in Service (Enter Total of lines 18 thru 21)	2,019,649,188	
23	Leased to Others		
24	Depreciation		
25	Amortization and Depletion		
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)		
27	Held for Future Use		
28	Depreciation		
29	Amortization		
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)		
31	Abandonment of Leases (Natural Gas)		
32	Amort. of Plant Acquisition Adjustment		
33	TOTAL Accumulated Provisions (Should agree with line 14 above)(Enter Total of lines 22, 26, 30, 31, and 32)	2,019,649,188	

**SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION (Continued)**

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
3,361,662,142					3
					4
					5
262,668,844					6
					7
3,624,330,986					8
					9
					10
20,159,424					11
					12
3,644,490,410					13
2,019,649,188					14
1,624,841,222					15
					16
					17
2,013,219,084					18
					19
6,430,104					20
					21
2,019,649,188					22
					23
					24
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					31
					32
2,019,649,188					33

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS PLANT IN SERVICE (Accounts 101,102,103, and 106)			
<p>1. Report below the original cost of gas plant in service according to the prescribed accounts.</p> <p>2. In addition to Account 101, Gas Plant in Service (Classified), this page and the next include Account 102, Gas Plant Purchased or Sold; Account 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction Not Classified - Gas.</p> <p>3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.</p> <p>4. Enclose in parenthesis credit adjustments of plant accounts to indicate the negative effect of such accounts.</p> <p>5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year, include in column (d) a tentative distribution of such retirements, on an estimated basis with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions or prior year of unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d), including the reversals of the prior years tentative account distributions of these amounts.</p>			
Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	1. Intangible Plant		
2	301 Organization		
3	302 Franchise and Consents		
4	303 Miscellaneous Intangible Plant	51,870,080	2,611,622
5	TOTAL Intangible Plant	51,870,080	2,611,622
6	2. Production Plant		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds		
10	325.3 Gas Rights		
11	325.4 Rights-of-Way		
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Meas. and Reg. Sta. Structures		
16	329 Other Structures		
17	330 Producing Gas Wells- Well Construction		
18	331 Producing Gas Wells - Well Equipment		
19	332 Field Lines		
20	333 Field Compressor Station Equipment		
21	334 Field Meas. and Reg. Sta. Equipment		
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment		
24	337 Other Equipment		
25	338 Unsuccessful Exploration & Devel. Costs		
26	339 Asset Retirement Costs for Natural Gas Production and Gathering Plant		
27	TOTAL Production and Gathering Plant		
28	Products Extraction Plant		
29	340 Land and Land Rights		
30	341 Structures and Improvements		
31	342 Extraction and Refining Equipment		
32	343 Pipe Lines		
33	344 Extracted Products Storage Equipment		
34	345 Compressor Equipment		
35	346 Gas Meas. and Reg. Equipment		
36	347 Other Equipment		
37	348 Asset Retirement Costs for Products Extraction Plant		
38	Total Products Extraction Plant		
39	Total Natural Gas Production Plant		
40	Mfd. Gas Prod. Plant (Submit Suppl. Statement)		
41	Total Production Plant		

GAS PLANT IN SERVICE (Accounts 101,102,103, and 106) (Continued)

Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of the reported amount of respondent's plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.
7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirements of these pages.
8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also the date of such filing.

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					1
				301	2
				302	3
(74,004)			54,407,698	303	4
(74,004)			54,407,698		5
					6
					7
				325.1	8
				325.2	9
				325.3	10
				325.4	11
				325.5	12
				326	13
				327	14
				328	15
				329	16
				330	17
				331	18
				332	19
				333	20
				334	21
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				338	25
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				340	29
				341	30
				342	31
				343	32
				344	33
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				348	37
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NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS PLANT IN SERVICE (Accounts 101,102,103, and 106) (Continued)			
Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
42	3. Natural Gas Storage and Processing Plant		
43	Underground Storage Plant		
44	350.1 Land	2,368,961	
45	350.2 Rights-of-Way	165,684	
46	351 Structures and Improvements	14,493,895	932,582
47	352 Wells	75,130,479	3,381,414
48	352.1 Storage Leaseholds and Rights	9,189,739	
49	352.2 Reservoirs		
50	352.3 Non-recoverable Natural Gas	169,846,397	
51	353 Lines	19,949,711	856,000
52	354 Compressor Station Equipment	74,559,449	16,645,385
53	355 Measuring and Reg. Equipment	3,538,894	457,763
54	356 Purification Equipment	41,927,415	4,309,599
55	357 Other Equipment	1,641,984	621,374
56	TOTAL Underground Storage Plant	412,812,608	27,204,117
57	Other Storage Plant		
58	360 Land and Land Rights		
59	361 Structures and Improvements		
60	362 Gas Holders		
61	363 Purification Equipment		
62	363.1 Liquefaction Equipment		
63	363.2 Vaporizing Equipment		
64	363.3 Compressor Equipment		
65	363.4 Meas. and Reg. Equipment		
66	363.5 Other Equipment		
67	363.6 Asset Retirement Costs for Other Storage Plant		
68	TOTAL Other Storage Plant		
69	Base Load Liquefied Nat. Gas Term. and Proc. Plant		
70	364.1 Land and Land Rights		
71	364.2 Structures and Improvements		
72	364.3 LNG Processing Terminal Equipment		
73	364.4 LNG Transportation Equipment		
74	364.5 Measuring and Regulating Equipment		
75	364.6 Compressor Station Equipment		
76	364.7 Communications Equipment		
77	364.8 Other Equipment		
78			
79	TOTAL Base Load Liquefied Natural Gas		
80			
81	TOTAL Nat. Gas Storage and Proc. Plant	412,812,608	27,204,117
82	4. Transmission Plant		
83	365.1 Land and Land Rights	4,354,082	395
84	365.2 Rights-of-Way	16,801,777	
85	366 Structures and Improvements	104,057	
86	367 Mains	252,076,458	210,960
87	368 Compressor Station Equipment		
88	369 Measuring and Reg. Sta. Equipment	56,037,995	2,671,762
89	370 Communication Equipment		
90	371 Other Equipment		
91	372 Asset Retirement Costs for Transmission Plant		
92	TOTAL Transmission Plant	329,374,369	2,883,117

GAS PLANT IN SERVICE (Accounts 101,102,103, and 106) (Continued)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
					42
					43
			2,368,961	350.1	44
			165,684	350.2	45
(68,601)		(66,419)	15,291,457	351	46
(200,524)			78,311,369	352	47
			9,189,739	352.1	48
				352.2	49
			169,846,397	352.3	50
(138,224)		284,538	20,952,025	353	51
(881,826)			90,323,008	354	52
(41,787)			3,954,870	355	53
(177,680)		(284,538)	45,774,796	356	54
(33,349)			2,230,009	357	55
(1,541,991)		(66,419)	438,408,315		56
					57
				360	58
				361	59
				362	60
				363	61
				363.1	62
				363.2	63
				363.3	64
				363.4	65
				363.5	66
				363.6	67
					68
					69
				364.1	70
				364.2	71
				364.3	72
				364.4	73
				364.5	74
				364.6	75
				364.7	76
				364.8	77
					78
					79
					80
(1,541,991)		(66,419)	438,408,315		81
					82
		(501,742)	3,852,735	365.1	83
		442,838	17,244,615	365.2	84
			104,057	366	85
(27,196)			252,260,222	367	86
				368	87
(319,212)			58,390,545	369	88
				370	89
				371	90
					91
(346,408)		(58,904)	331,852,174		92

GAS PLANT IN SERVICE (Accounts 101,102,103, and 106) (Continued)[illegible]

NICOR GAS COMPANY			AN ORIGINAL			DECEMBER 31, 2003	
MANUFACTURED GAS PRODUCTION PLANT - SUPPLEMENTAL SCHEDULE SEE PAGE 204, LINE 40							
Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1	PRODUCTION PLANT	None					
2	Manufactured Gas Production Plant						
3	(304) Land and Land Rights						
4	(305) Structures and Improvements						
5	(306) Boiler Plant Equipment						
6	(307) Other Power Equipment						
7	(308) Coke Ovens						
8	(309) Producer Gas Equipment						
9	(310) Water Gas Generating Equipment						
10	(311) Liquefied Petroleum Gas Equipment						
11	(312) Oil Gas Generating Equipment						
12	(313) Generating Equipment - Other Expenses						
13	(314) Coal, Coke and Ash Handling Equipment						
14	(315) Catalytic Cracking Equipment						
15	(316) Other Reforming Equipment						
16	(317) Purification Equipment						
17	(318) Residual Refining Equipment						
18	(319) Gas Mixing Equipment						
19	(320) Other Equipment						
20	TOTAL Manufactured Gas Production Plant						

NICOR GAS COMPANY

AN ORIGINAL

DECEMBER 31, 2003

GAS PLANT LEASED TO OTHERS (Account 104)

1. Report below the information called for concerning gas plant leased to others.
 2. In column (c) give the date of Commission authorization of the lease of gas plant to others.

Line No.	Name of Lessee (Designate associated companies with an asterisk) (a)	Description of Property Leased (b)	Commission Authorization (c)	Expiration Date of Lease (d)	Balance at End of Year
1					
2	None				
3					
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47					
48	TOTAL				

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003	
GAS PLANT HELD FOR FUTURE USE (Account 105)				
<p>1. Report separately each property held for future use at end of the year having an original cost of \$250,000 or more. Group other items of property held for future use.</p> <p>2. For property having an original cost of \$250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.</p>				
Line No.	Description and Location of Property (a)	Date Originally Included in the Account (b)	Date Expected to be Used in Utility Service (c)	Balance at End of Year (d)
1	Natural Gas Lands, Leaseholds, and Gas Rights Held for Future Utility Use			None
2	None			
3				
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5				
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44	TOTAL			

CONSTRUCTION WORK IN PROGRESS - GAS (Account 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development, and demonstration" projects last, under a caption Research, Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor Projects (less than \$500,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress - Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Customer and Field Information System	16,571,357	53,600,000
2	Gas Distribution Improvement - New Station	126,729	10,600,000
3	Gas Distribution Improvement - Main Replacement	188,415	1,300,000
4	Financial Forecasting System	461,000	50,000
5	Distribution Service Alarm	102,820	400,000
6	Minor Projects	2,709,103	1,750,000
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43			
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49	Total	20,159,424	67,700,000

NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003	
ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (Acct. 108)					
1. Explain in a footnote any important adjustments during year 2. Explain in a footnote any difference between the amount for book cost of plant retired, line 11, column (c), and that reported for gas plant in service, pages 204 - 209, column (d), excluding retirements of nondepreciable property. 3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not been recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In addition, include all costs included in retirement work in progress at year end in the appropriate functional classifications 4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.					
Section A. Balances and Changes During Year					
Line No.	Item (a)	Total (c + d + e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	1,903,899,665	1,903,899,665		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	143,300,004	143,300,004		
4	(403.1) Depreciation Expense for Asset Retirement Costs				
5	(413) Expenses of Gas Plant Leased to Others				
6	Transportation Expense - Clearing	3,888,000	3,888,000		
7	Other Clearing Accounts				
8	Other Accounts (Specify):				
9					
10	TOTAL Depreciation Provisions for Year (Enter Total of lines 3 thru 8)	147,188,004	147,188,004		
11	Net Charges for Plant Retired:				
12	Book Cost of Plant Retired	(28,172,018)	(28,172,018) *		
13	Cost of Removal	(12,082,768)	(12,082,768)		
14	Salvage (Credit)	2,386,201	2,386,201		
15	TOTAL Net Charges for Plant Retired (Enter Total of lines 12 thru 14)	(37,868,585)	(37,868,585)		
16	Other Debit or Credit Items (Describe):				
17	Book Cost of Asset Retirement Costs				
18	Balance End of Year (Enter Total of lines 1, 10, 15, 16, 17)	2,013,219,084	2,013,219,084		
Section B. Balances at End of Year According to Functional Classifications					
19	Production - Manufactured Gas				
20	Production and Gathering - Natural Gas				
21	Products Extraction - Natural Gas				
22	Underground Gas Storage	255,891,000	255,891,000		
23	Other Storage Plant				
24	Base Load LNG Terminating and Processing Plant				
25	Transmission	217,944,000	217,944,000		
26	Distribution	1,423,003,084	1,423,003,084		
27	General	116,381,000	116,381,000		
28	TOTAL (Enter Total of lines 19 thru 27)	2,013,219,084	2,013,219,084		

NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003		
GAS STORED (Account 117, 164.1, 164.2 and 164.3)						
<ol style="list-style-type: none"> 1. If during the year adjustment was made to the stored gas inventory (such as to correct cumulative inaccuracies of gas measurements), furnish in a footnote an explanation of the reason for the adjustment, the Mcf and dollar amount of adjustment, and account charged or credited. 2. Give in a footnote a concise statement of the facts and the accounting performed with respect to any encroachment of withdrawals during the year, or restoration of previous encroachment, upon native gas constituting the "gas cushion" of any storage reservoir 3. If the company uses a "base stock" in connection with its inventory accounting, give a concise statement of the basis of establishing such "base stock" and the inventory basis and the accounting performed with respect to any encroachment of withdrawals upon "base stock," or restoration of previous encroachment, including brief particulars of any such accounting during the year. 4. If the company has provided accumulated provision for stored gas which may not eventually be fully recovered from any storage project, furnish a statement showing: (a) date of Commission authorization of such accumulated provision, (b) explanation of circumstances requiring such provision, (c) basis of provision and factors of calculation, (d) estimated ultimate accumulated provision accumulation, and (e) a summary showing balance of accumulated provision and entries during year. 5. Report pressure base of gas volumes as 14.73 psia at 60 degrees F 						
Line No.	Description (a)	Noncurrent (Account 117) (b)	Current (Account 164.1) (c)	LNG (Account 164.2) (d)	LNG (Account 164.3) (e)	Total (f)
1	Balance at Beginning of Year	\$ 50,339,797	\$ 18,633,689			\$ 68,973,486
2	Gas Delivered to Storage (contra account)		793,893,052			793,893,052
3	Gas Withdrawn from Storage (contra account)		(603,385,156)			(603,385,156)
4	Other Debits or Credits (Net)		(1,724)			(1,724)
5	Balance at End of Year	\$ 50,339,797	\$ 209,139,861			\$ 259,479,658
6	Mcf	70,611,501	95,434,406			166,045,907
7	Amount per Mcf	\$0.7129	\$2.1915			\$1.5627
8	State basis of segregation of inventory between current and noncurrent portions: Current gas is gas in an underground storage field that is available for market. Noncurrent gas is the portion of base gas that is expected to be economically recovered prior to abandonment of the aquifer.					

NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003
INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1)				
<p>1. Report below investments in Accounts 123.1, Investments in Subsidiary Companies.</p> <p>2. Provide a subheading for each company and list thereunder the information called for below. Sub-total by company and give a total in columns (e), (f), (g) and (h).</p> <p>(a) Investment in Securities - List and describe each security owned. For bonds give also principal amount, date of issue, maturity, and interest rate.</p> <p>(b) Investment Advances - Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.</p> <p>3. Report separately the equity in undistributed subsidiary earnings since acquisition. The total in column (e) should equal the amount entered for Account 418.1.</p>				
Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Amount of Investment at Beginning of Year (d)
1				
2	NI-Gas Exploration, Inc. is a wholly owned subsidiary of Nicor Gas Company. In accordance with Commission Orders,			
3	Nicor Gas' investment in NI-Gas Exploration is recorded in Account 124, Other Investments. See pages 29-30 for			
4	further information.			
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42	TOTAL Cost of Account 123.1	TOTAL		

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123.1) (Continued)

4. For any securities, notes, or accounts that were pledged, designate such securities, notes, or accounts in a footnote, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report in column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including interest adjustment includible in column (f).
8. Report on line 42, column (a) the total cost of account 123.1.

Equity in Subsidiary Earnings for Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
				1
				2
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NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003		
PREPAYMENTS (Account 165)						
1. Report below the particulars (details) on each prepayment. 2. Report all payments for undelivered gas on line 5 and complete pages 226 to 227 showing particulars (details) for gas prepayments.						
Line No.	Nature of Prepayment (a)	Balance at End of Year (in Dollars) (b)				
1	Prepaid Insurance	4,946,037				
2	Prepaid Rents					
3	Prepaid Taxes (pages 262-263)	131,515				
4	Prepaid Interest	804,172				
5	Gas Prepayments					
6	Miscellaneous Prepayments: Prepaid line of credit fees, software maintenance fees, and other	2,997,315				
7	TOTAL	8,879,039				
EXTRAORDINARY PROPERTY LOSSES (Account 182.1)						
Line No.	Description of Extraordinary Loss [Include in the description the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr to mo, yr).] (a)	Total Amount of Loss (b)	Losses Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
1	None			Account Charged (d)	Amount (e)	
2						
3						
4						
5						
6						
7						
8						
9	TOTAL					
UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)						
Line No.	Description of Unrecovered Plant and Regulatory Study Costs [include in the description of costs the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr to mo, yr).] (a)	Total Amount of Charges (b)	Costs Recognized During Year (c)	WRITTEN OFF DURING YEAR		Balance at End of Year (f)
10	None			Account Charged (d)	Amount (e)	
11						
12						
13						
14						
15						
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28						
29						
30	TOTAL					

NICOR GAS COMPANY

AN ORIGINAL

DECEMBER 31, 2003

OTHER REGULATORY ASSETS (ACCOUNT 182.3)

1. Report below the particulars (details) called for concerning other regulatory assets which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 182.3 or amounts less than \$50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	CREDITS		Balance at End of Year (e)
			Account Charged (c)	Amount (d)	
1					
2	Deferred Environmental Clean-up Costs	14,223,982	713	31,913,627	37,039,685
3					
4					
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44	Total	14,223,982		31,913,627	37,039,685

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NICOR GAS COMPANY
AN ORIGINAL
DECEMBER 31, 2003
MISCELLANEOUS DEFERRED DEBITS (Account 186)

1. Report below the particulars (details) called for concerning miscellaneous deferred debits.
2. For any deferred debit being amortized, show period of amortization in column (a).
3. Minor items (less than \$100,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	Credits		Balance at End of Year (f)
				Account Charged (d)	Amount (e)	
1						
2	Prepaid Pension	177,065,993	47,413	N/A	-	177,113,406
3						
4	Unallocated Bond Issuance Costs	-	1,017,507	181	644,194	373,313
5						
6	Minimum Pension Intangible	879,832	-	Various	292,206	587,626
7						
8	Other	(1,978)	1,978	Various	2,469	(2,469)
9						
10						
11						
12						
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42						
43						
44						
45	Misc. Work in Progress					
46	Deferred Regulatory Commission Expenses (See pages 350-351)					
47	TOTAL	177,943,847				178,071,876

NICOR GAS COMPANY
AN ORIGINAL
DECEMBER 31, 2003
ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Electric			
2				
3				
4				
5				
6				
7	Other			
8	TOTAL Electric (Total of lines 2 thru 7)			
9	Gas			
10	Unamortized Investment Tax Credits	24,027,843		
11	Reserve for Future Health Care Costs	27,524,132	(5,650,718)	
12	Mercury Inspection and Repair Program	9,547,234	306,243	
13	Non Qualified Benefit Plans	8,174,781	(61,430)	
14				
15	Other	27,317,453	(15,917,302)	
16	TOTAL Gas (Total of Lines 10 thru 15)	96,591,443	(21,323,207)	
17	Other (Specify) - Nonregulatory	781,435	(113,084)	
18	TOTAL Account 190 (Total lines 8, 16, and 17)	97,372,878	(21,436,291)	

NOTES:

ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)

3. If more space is needed, use separate pages as required.

4. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided.

Indicate insignificant amounts listed under Other.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
							2
							3
							4
							5
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							8
							9
				254	1,398,290	22,629,553	10
						33,174,850	11
						9,240,991	12
						8,236,211	13
							14
						43,234,755	15
				254	1,398,290	116,516,360	16
						894,519	17
				254	1,398,290	117,410,879	18

NOTES:

NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003	
CAPITAL STOCK (Accounts 201 and 204)					
For utilities with gas and electric operations who file this page in FERC Form 1, this page is optional. Please note on page, "See FERC Form 1."					
<p>1. Report below the particulars (details) called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock. If information to meet the stock exchange reporting requirement outlined in column (a) is available from the SEC 10-K Report Form filing, a specific reference to the report form (i.e. year and company title) may be reported in column (a) provided the fiscal years for both the 10-K report and this report are compatible.</p> <p>2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.</p>					
Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Shares Authorized by Charter (b)	Par or Stated Value Per share (c)	Call Price at End of Year (d)	
1					
2	Common Stock Issued (Account 201)				
3	Common Stock	25,000,000	5		
4					
5					
6					
7	Preferred Stock Issued (Account 204)				
8	Preferred Stock - Cumulative	800,000	100		
9	5% convertible			100.00	
10	4.60% convertible			100.00	
11					
12	Less amount due within one year				
13					
14	Preference Stock - Cumulative	10,000,000	Without Par		
15		10,800,000			
16					
17					
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NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003	
CAPITAL STOCK (Accounts 201 and 204) (Continued)					
<p>3. Give particulars (details) concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.</p> <p>4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or non-cumulative.</p> <p>5. State in a footnote if any capital stock which has been nominally issued is nominally outstanding at end of year.</p> <p>6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.</p>					
OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent.)		HELD BY RESPONDENT			
		As Reacquired Stock (Account 217)		In Sinking and Other Funds	
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)
15,232,414	76,162,070				
5,258 8,750	525,800 875,000				
14,008	1,400,800				

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OTHER PAID-IN CAPITAL (Accounts 208-211, Inc.)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts.

Provide a subheading for each account and show a total for the account, as well as total of all accounts for reconciliation with balance sheet, page 112. Add more columns for any account if deemed necessary. Explain changes made in any account during the year and give the accounting entries affecting such change.

(a) Donations Received from Stockholders (Account 208) - State amount and give brief explanation of the origin and purpose of each donation.

(b) Reduction in Par or Stated Value of Capital Stock (Account 209) - State amount and give brief explanation of the capital changes which gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210) - Report balance at beginning of the year, credits, debits, and balance at the end of the year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-in Capital (Account 211) - Classify amounts included in this account according to captions which, together with brief explanations, disclose the general nature of the transactions which gave rise to the reported amounts.

Line No.	Name (a)	Amount (b)
1	Donations Received From Stockholders (Account 208)	
2	(No change in 2003)	
3	Cancellation of 253,915 shares of common stock surrendered by Commonwealth Edison Company	
4	on January 26, 1955, created surplus as follows:	
5	Stated Capital, \$5 par value	1,269,575
6	Premium	1,330,103
7	Total Account 208	2,599,678
8		
9	Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210)	
10	Common Stock (No change in 2003)	2,891
11	5% Preferred Stock Beginning Balance \$1,735,860; 2,000 shares were cancelled.	1,736,021
12	Capital Stock Expense Debit \$ 4,862	
13	Premium Credit 2,000	
14	Preferred Stock Credit 3,023	
15	Net \$ 161	
16	5% Convertible Preferred Stock (No change in 2003)	(8,940)
17	4.48% Preferred Stock Beginning Balance \$3,115,491; 3,000 shares were cancelled.	3,117,599
18	Capital Stock Expense Debit \$ 847	
19	Premium Credit 209	
20	Preferred Stock Credit 2,746	
21	Net \$ 2,108	
22	4.6% Convertible Preferred Stock (No change in 2003)	(2,275)
23	1.90% Convertible Preference Stock (No change in 2003)	244,404
24	Total Account 210	5,089,700
25		
26		
27		
28		
29	Note: In prior years, Account 211, Miscellaneous Paid-In Capital included components of Accumulated Other Comprehensive	
30	Income. In 2003, these amounts are reported in Account 219, Accumulated Other Comprehensive Income. (see pages 35-35a)	
31		
32		
33		
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36		
37		
38		
39		
40	TOTAL	7,689,378

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES			
<p>1 Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.</p> <p>2 If the utility is a member of a group which files a consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.</p>			
Line No.	Particulars (Details) (a)	Amount (b)	
1	Net Income for the Year (Page 117)	82,999,839	
2	Reconciling Items for the Year		
3	Taxable Income Not Reported on Books		
4			
5			
6			
7	Deductions Recorded on Books Not Deducted for Return		
8	Deferred Federal and State Income Taxes	136,703,633	
9	Uniform Capitalization - Inventory	13,788,000	
10	Employee Benefits	9,162,702	
11	Provision for Bad Debts	4,635,899	
12	Unallowable Depreciation	2,100,000	
13	Amortized Software	799,000	
14	Non-Deductible Expenses	533,177	
15			
16	Income Recorded on Books Not Included in Return		
17	Current Provision for Federal Income Taxes	(72,997,928)	
18	Other State Income Taxes	(25,453,951)	
19	Amortization of Federal ITC	(2,325,332)	
20			
21	Deductions on Return Not Charged Against Book Income		
22	Depreciation and Other Property Items	(58,505,378)	
23	Research Environmental Costs	(2,500,000)	
24	Contingency Payments	(2,194,377)	
25	Bond Redemption Costs	(1,903,000)	
26	Vacation Accrual	(1,800,000)	
27	Mercury Inspection & Repair Program	(1,421,381)	
28	Charitable Contributions Carryover	(960,232)	
29			
30	Federal Tax Net Income	80,660,671	
31	Show Computation of Tax:		
32			
33	Tax at 35%	28,231,235	
34	Add: Alternative Minimum Tax	17,743,452	
35	Prior Year Adjustments *	(118,797,615)	
36	Other	(175,000)	
37		(101,229,163)	
38	Total Current Federal Income Tax	(72,997,928)	
39			
40			
41			
42			
43	* Primarily caused by a change in accounting method.		
44			
45			
46			
47			

RECONCILIATION OF REPORTED NET INCOME WITH
TAXABLE INCOME FOR FEDERAL INCOME TAXES

Respondent's income will be included in the consolidated federal income tax return to be filed on or before September 15, 2004, by the Nicor Inc. group of which it is a member.

The members of the Nicor Inc. group which are included for this purpose are:

Nicor Inc.	Nicor National Inc.
Nicor Gas Company	Nicor National Illinois Inc.
NI - Gas Exploration, Inc.	Nicor National Louisiana Inc.
Nicor Energy Services Company	Nicor Oil and Gas Corporation
Nicor Energy Solutions Inc.	Nicor Technologies Inc.
Nicor Energy Management Services Company	Birdsall, Inc.
Nicor Energy Ventures Company	Seven Seas Insurance Company, Inc.
Nicor Power Holding Company	Tropical Shipping Agency, Inc.
Nicor Rocky Road Company	Tropical Shipping, Inc.
Nicor Mining Inc.	Tropical Shipping of Canada, Inc.
Nicor NGV Corp.	Tropic Equipment Leasing Inc.
Nicor Horizon, Inc.	

NICOR GAS COMPANY				AN ORIGINAL		DECEMBER 31, 2003	
TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR							
1. Give particulars (details) of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.				Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.			
2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes).				3. Include in column (d) Taxes Charged During the Year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to proportions of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.			
				4. List the aggregate of each kind of tax in such manner that the total tax for each State and subdivision can readily be ascertained.			
Line No.	Kind of Tax (See Instruction 5) (a)	BALANCE AT BEGINNING OF YEAR		Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	
		Taxes Accrued (Account 236) (b)	Prepaid Taxes (Included in Account 165) (c)				
1	Federal:						
2	Income	8,079,669		(72,997,928)	35,820,179	96,285,896	
3	Unemployment Ins.	5,214		146,164	157,168		
4	Ins. Contributions	204,473		9,705,951	9,675,284		
5	TOTAL FEDERAL	8,289,356		(63,145,813)	45,652,631	96,285,896	
6							
7	State:						
8	Income	7,994,249		(12,983,278)	948,055	(2,717,953)	
9	Utilities	10,114,916		69,744,580	75,427,111		
10	Unemployment Ins.	7,737		395,628	395,586		
11	Workers Comp. Tax			58,922	58,922		
12	Retailers Occupation						
13	and Use	(82,311)		114,826	55,327		
14	Invested Capital Tax	529,460		6,996,000	6,582,008		
15	Public Utilities			2,260,194	2,260,194		
16	Franchise		132,080	132,080	131,515		
17	Vehicle Licenses			385,141	385,141		
18	TOTAL STATE	18,564,051	132,080	67,104,093	86,243,859	(2,717,953)	
19							
20	Local:						
21	Real Estate	3,417,586		2,421,945	2,674,865		
22	Municipal Utilities	6,442,277		43,196,252	43,255,713		
23	Gas Use	613,239		15,682,613	9,758,971		
24	TOTAL LOCAL	10,473,102		61,300,810	55,689,549		
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
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41							
42							
43	TOTAL	37,326,509	132,080	65,259,090	187,586,039	93,567,943	

NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003			
TAXES ACCRUED, PREPAID AND CHARGED DURING YEAR (Continued)							
5. If any tax (exclude Federal and State income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).				taxing authority.			
6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.				8. Show in columns (i) through (p) how the taxed accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount			
7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the				9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax			
BALANCE AT END OF YEAR		DISTRIBUTION OF TAXES CHARGED (Show utility dept. where applicable & acct. charged.)					
Taxes Accrued (Account 236) (g)	Prepaid Taxes (Included in Account 165) (h)	Gas (Account 408.1, 409.1) (j)	Other Income and Deductions (Acct 408.2, 409.2) (l)	Extraordinary Items (Account 409.3) (m)	Other Utility Open Income (Account 408.1, 409.1) (n)	Account	Line No.
(4,452,542)		(73,114,272)	116,344				1
(5,790)		103,776			42,388	107	2
235,140		6,891,225			2,814,726	107	3
(4,223,192)		(66,119,271)	116,344		2,857,114		4
							5
							6
(8,655,037)		(13,048,828)	65,550				7
4,432,385		69,744,580					8
7,779		280,896			114,732	107	9
		58,922					10
(22,812)		74,387			40,439	Various	11
943,452		6,996,000					12
	131,515	2,260,194					13
		132,080					14
					385,141	Various	15
(3,294,233)	131,515	66,498,231	65,550		540,312		16
							17
							18
3,164,666		1,963,420	112,039		346,486	107	19
6,382,816		43,196,252					20
6,536,881		15,682,613					21
16,084,363		60,842,285	112,039		346,486		22
							23
							24
							25
							26
							27
							28
							29
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							31
							32
							33
							34
							35
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							39
							40
							41
							42
8,566,938	131,515	61,221,245	293,933		3,743,912		43

Notes to Pages 262 and 263

Federal Income Taxes

Taxes charged pursuant to Docket No. 58215	(233,616)
Tax Refund	99,620,320
Miscellaneous	(3,100,808)
	<u>96,285,896</u>

State Income Taxes

Investment Tax Credit	(712,401)
Tax Payment	(2,005,552)
	<u>(2,717,953)</u>

OTHER DEFERRED CREDITS (Account 253)

1. Report below the particulars (details) called for concerning other deferred credits.
2. For any deferred credit being amortized, show the period of amortization.
3. Minor items (less than \$100,000) may be grouped by classes.
4. For any undelivered gas obligations to customers under take-or-pay clauses of sale agreements, show the total amount on this page.
Show also on this page, but as a separate item, any advance billings or receipts for gas sales or service classified in Account 253 but not related to take-or-pay arrangements.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	Debits		Credits (e)	Balance at End of Year (f)
			Contra Account (c)	Amount (d)		
1	Future Healthcare - Retirees	67,936,402	131	8,101,237	17,949,000	77,784,165
2	Environmental Cleanup	61,902,801	131	43,879,479	15,225,000	33,248,322
3	Accrued Supplemental Retirement Plan	6,224,727	131	741,128	660,669	6,144,268
4	Directors' Deferred Compensation	774,292	930.20	2,601	196,180	967,871
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
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41						
42						
43	TOTAL	136,838,222		52,724,445	34,030,849	118,144,626

NICOR GAS COMPANY

AN ORIGINAL

DECEMBER 31, 2003

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.
2. At Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric			
3	Gas	220,612,225	207,014,895	51,454,082
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)	220,612,225	207,014,895	51,454,082
6	Other (Specify)			
7				
8				
9	TOTAL Account 282 (Enter Total of lines 5 thru 8)	220,612,225	207,014,895	51,454,082
10	Classification of TOTAL			
11	Federal Income Tax	183,754,690	168,786,664	39,001,062
12	State Income Tax	36,857,535	38,228,231	12,453,020
13	Local Income Tax			

NOTES

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)
(Continued)

3. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
							2
				254	12,417,810	388,590,848	3
							4
				254	12,417,810	388,590,848	5
							6
							7
							8
				254	12,417,810	388,590,848	9
							10
				254	11,327,146	324,867,438	11
				254	1,090,664	63,723,410	12
							13

NOTES (Continued)

In accordance with finding (10) of General Order 179 in the matter of establishing a Uniform System of Accounts for Gas Utilities, Nicor Gas Company elects to continue its accounting for accelerated depreciation in accordance with its order, Docket No. 42106 dated June 13, 1955.

NICOR GAS COMPANY

AN ORIGINAL

DECEMBER 31, 2003

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.
2. For Other (Specify), include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Changes During Year	
			Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3				
4				
5				
6				
7				
8	Other			
9	TOTAL Electric (Total of Lines 3 thru 8)			
10	Gas	98,932,432	2,579,111	
11				
12				
13				
14				
15				
16	Other			
17	TOTAL Gas (Total of Lines 11 thru 16)	98,932,432	2,579,111	
18	Other (Specify)			
19	TOTAL (Account 283) (Total lines 9, 17, and 18)	98,932,432	2,579,111	
20	Classification of TOTAL			
21	Federal Income Tax	82,164,386	3,961,613	
22	State Income Tax	16,768,046	(1,382,502)	
23	Local Income Tax			

NOTES

ACCUMULATED DEFERRED INCOME TAXES-OTHER (Account 283) (Continued)

3. Provide in the space below explanations for pages 276 and 277. Include amounts relating to insignificant items listed under Other.
4. Use separate pages as required.

Changes During Year		ADJUSTMENTS				Balance at End of Year (k)	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Debits		Credits			
		Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)		
							1
							2
							3
							4
							5
							6
							7
							8
							9
				254	6,886	101,518,429	10
							11
							12
							13
							14
							15
							16
				254	6,886	101,518,429	17
							18
				254	6,886	101,518,429	19
							20
				254	6,886	86,132,885	21
						15,385,544	22
							23

NOTES (continued)

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NICOR GAS COMPANY
AN ORIGINAL
DECEMBER 31, 2003
OTHER REGULATORY LIABILITIES (Account 254)

1. Report below the particulars (details) called for concerning other regulatory liabilities which are created through the ratemaking actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than \$250,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Year (b)	DEBITS		Credits (e)	Balance at End of Year (f)
			Account Credited (c)	Amount (d)		
1						
2	Regulatory Tax Liability, Net	62,247,843	190 / 282 / 283	13,822,986	-	48,424,857
3	Mark-to-Market - Hedge Contracts *	-			5,473,955	5,473,955
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
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21						
22	* Note - In prior years, unrealized gain/loss had been reported as a deferred or accrued gas cost, in prime account 191/242.					
23						
24						
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31						
32						
33						
34						
35						
36						
37						
38						
39						
40						
41						
42						
43	TOTAL	62,247,843		13,822,986	5,473,955	53,898,812

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003	
GAS OPERATING REVENUES (Account 400)				
<div>1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.</div> <div>2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.</div> <div>3. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.</div> <div>4. Report quantities of natural gas sold in therms. (14.73 psi at 60 F). If billings are on a therm basis, give the Btu content of the gas sold and the sales converted to therms.</div> <div>5. If increases or decreases from previous year (columns (c), (e) and (g)) are not derived from previously reported figures, explain inconsistencies in a footnote.</div>				
Line No.	Title of Account (a)	OPERATING REVENUES		
		Amount for Year (b)	Amount for Previous Year (c)	
1	GAS SERVICE REVENUES			
2	(480) Residential Sales	1,611,913,779	1,057,459,241	
3	(481) Commercial and Industrial Sales			
4	Small (or Commercial) (See instruction 6)	351,680,652	209,395,174	
5	Large (or Industrial) (See instruction 6)	51,191,097	32,487,583	
6	(482) Other Sales to Public Authorities			
7	(484) Interdepartmental Sales			
8	Total Sales to Ultimate Consumers	2,014,785,528	1,299,341,998	
9	(483) Sales for Resale			
10	Total Natural Gas Service Revenues	2,014,785,528	1,299,341,998	
11	Revenues from Manufactured Gas			
12	Total Gas Service Revenues	2,014,785,528	1,299,341,998	
13	OTHER OPERATING REVENUES			
14	(485) Intracompany Transfers			
15	(487) Forfeited Discounts	14,470,368	8,689,296	
16	(488) Miscellaneous Service Revenues	134,765,352	96,341,485	
17	(489.1) Rev from Transp. of Gas of Others Through Gathering Facilities			
18	(489.2) Rev from Transp. of Gas of Others Through Transmission Facilities	411,559	430,520	
19	(489.3) Rev from Transp. of Gas of Others Through Distribution Facilities	147,593,314	144,859,256	
20	(489.4) Revenue from Storing Gas of Others	9,169,890	16,638,296	
21	(490) Sales of Products Extracted from Natural Gas			
22	(491) Revenues from Natural Gas Processed by Others			
23	(492) Incidental Gasoline and Oil Sales			
24	(493) Rent from Gas Property	359,439	319,382	
25	(494) Interdepartmental Rents			
26	(495) Other Gas Revenues	30,039,941	28,195,209	
27	Total Other Operating Revenues	336,809,863	295,473,444	
28	Total Gas Operating Revenues	2,351,595,391	1,594,815,442	
29	(Less) 496 Provision for Rate Refunds			
30	Total Gas Operating Revenues Net of Provision for Refunds	2,351,595,391	1,594,815,442	
31	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Cust.)	1,963,594,431	1,266,854,415	
32	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities)	51,191,097	32,487,583	
33	Sales for Resale			
34	Other Sales to Pub. Auth. (Local Dist. Only)			
35	Interdepartmental Sales			
36	Total (Same as Line 10, Columns (b) and (d))	2,014,785,528	1,299,341,998	

NICOR GAS COMPANY		AN ORIGINAL		DECEMBER 31, 2003	
GAS OPERATING REVENUES (Continued)					
<p>6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)</p> <p>7. See pages 108-109, Important Changes During Year, for important new territory added and important rate increases or decreases.</p>					
THERMS OF NATURAL GAS SOLD		AVERAGE NUMBER OF NATURAL GAS CUSTOMERS PER MONTH			
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	Line No.	
				1	
2,148,568,222	2,128,831,704	1,740,324	1,738,950	2	
				3	
467,126,076	416,198,627	111,690	105,670	4	
70,276,897	69,598,234	7,130	6,821	5	
				6	
				7	
2,685,971,195	2,614,628,565	1,859,144	1,851,441	8	
				9	
2,685,971,195	2,614,628,565	1,859,144	1,851,441	10	
NOTES				11	
				12	
				13	
				14	
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NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
RESIDENTIAL AND COMMERCIAL SPACE HEATING CUSTOMERS			
A residential space heating customer is a customer whose major fuel for heating is gas.			
Line No.	Item (a)	Residential (1) (b)	Commercial (1) (c)
1	Average Number of Space Heating Customers for the Year (Estimate if not known. Designate with an asterisk if estimated.)	1,832,019	159,848
2	For Space Heating Only, Estimated Average Mcf (14.73 psia at 60° F) Per Customer for the Year	125.39	658.48
3	Number of Space Heating Customers Added During the Year	33,701	1,322
4	Number of Unfilled Applications for Space Heating at End of Year		
(1) Includes transportation customers.			
INTERRUPTIBLE, OFF PEAK, AND FIRM SALES TO DISTRIBUTION SYSTEM INDUSTRIAL CUSTOMERS			
1. Report below the average number of interruptible, off peak, and firm industrial customers on local distribution systems of the respondent, and the Mcf of gas sales to these customers for the year. 2. Interruptible customers are those to whom service may be interrupted under terms of the customer's gas contract, or to whom service is required to be interrupted, regardless of contractual arrangements in emergency periods, by law, ordinance, directive, or other requirement of government authority. State in a footnote the basis on which interruptible customers are reported. 3. Off peak sales are seasonal and other sales which do not occur during wintertime demands. 4. Report pressure base of gas volumes at 14.73 psia at 60° F.			
Line No.	Item (a)	Number/Amount (b)	
1	Interruptible Customers		
2	Average Number of Customers for the Year		
3	Mcf of Gas Sales for the Year		
4	Off Peak Customers		
5	Average Number of Customers for the Year		
6	Mcf of Gas Sales for the Year		
7	Firm Customers		
8	Average Number of Customers for the Year	7,130	
9	Mcf of Gas Sales for the Year	6,989,522	
10	TOTAL Industrial Customers		
11	Average Number of Customers for the Year	7,130	
12	Mcf of Gas Sales for the Year	6,989,522	

NICOR GAS COMPANY	AN ORIGINAL	DECEMBER 31, 2003
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SALES FOR RESALE - NATURAL GAS (Account 483)

1. Report particulars (details) concerning sales of natural gas during the year to other gas utilities and to pipeline companies for resale. Sales to each customer should be subdivided by service classifications, identified in column (c) where applicable, by rate schedule designation contained in the company's tariff.
2. Natural gas means either natural gas unmixed, or any mixture of natural and manufactured gas.
3. In either column (a) or (b), provide separate subheadings and totals for each State in addition to a grand total for all sales to other gas utilities.
4. Enter in column (b), point of delivery, the name of city or town and State, and such other designation necessary to enable identification on maps of respondent's pipeline system.
5. Designate with an asterisk and footnote any sales which are other than firm sales, i.e., sales for storage, etc.
6. Monthly billing demands, as used in column (g), are the number of Mcf in the respective months actually used in computing the demand portion of the customer's bills; such quantity of Mcf is multiplied by the demand portion of the tariff rate. Report in column (g) the sum of the monthly billing demands for the number of months the customer received service or was subject to demand changes.
7. Where consolidated bills for more than one point of delivery are rendered under a rate schedule, indicate the several points of delivery in column (b) and report the remainder of the columns on a consolidated basis corresponding to the billing. Where, however, consolidated bills for more than one point of delivery are not rendered under a FERC rate schedule, the required information (columns) shall be furnished for each point of delivery.

Line No.	Name of Other Gas Utility (Designate associated companies with an asterisk) (a)	Point of Delivery (City, Town or State) (b)	Tariff Rate Schedule Designation (c)	Mcf of Gas Sold (Approx. Btu per Cubic Foot) (d)	Revenue for Year (See instruction 5) (e)
1	None				
2					
3					
4					
5					
6					
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NICOR GAS COMPANY	AN ORIGINAL	DECEMBER 31, 2003			
SALES FOR RESALE - NATURAL GAS (Account 483) (Continued)					
<p>8. Designate in a footnote if Btu per cubic foot of gas is different for any delivery point from that shown in the heading of column (d).</p> <p>9. For each firm sale of \$25,000 or more for the year at each point of delivery, shown in column (i) peak day volume of gas, at pressure base indicated in column (d), and in column (h) show the date of such peak delivery. If an estimate is used for any peak day delivery, state the basis for such estimate. If deliveries are made to one customer at more than one delivery point, show the peak day delivery and date thereof for each delivery point if billing is on a non-conjunctive basis, and show the total for each such customer if billing is on a conjunctive basis.</p> <p>10. Summarize total sales as follows: A. Field sales subdivided by deliveries to (i) interstate pipeline companies and (ii) others; B. Transmission system sales divided by deliveries to (i) interstate pipeline companies, (ii) intrastate pipeline companies and gas utilities for resale under FERC rate schedules, and (iii) others. "Field sales" means sales made from wells from points along gathering lines in gas field or production areas or from points along transmission lines within fields or production areas. "Transmission sales" means sales made from points along transmission lines not within gas fields or production areas.</p> <p>11. Enter Mcf at 14.73 psia at 60 degrees F.</p>					
Average Revenue per Mcf (in cents) (f)	Sum of Monthly Billing Demands Mcf (g)	Peak Day Delivery to Customers			Line No.
		Date (h)	Mcf		
			Noncoincidental (i)	Coincidental (j)	
					1
					2
					3
					4
					5
					6
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NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS OPERATION AND MAINTENANCE EXPENSES			
If the amount for previous year is not derived from previously reported figures, explain in footnotes.			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplemental Statement)	31,913,627	24,354,659
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering		
8	751 Production Maps and Records		
9	752 Gas Wells Expenses		
10	753 Field Lines Expenses		
11	754 Field Compressor Station Expenses		
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses		
14	757 Purification Expenses		
15	758 Gas Wells Royalties		
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)		
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements		
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines		
24	765 Maintenance of Field Compressor Station Equipment		
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment		
26	767 Maintenance of Purification Equipment		
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)		
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)		
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering		
34	771 Operation Labor		
35	772 Gas Shrinkage		
36	773 Fuel		
37	774 Power		
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Others		
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchased for Resale		
44	781 Variation in Products Inventory		
45	(Less) 782 Extracted Products Used by the Utility - Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of lines 33 thru 46)		

GAS OPERATION AND MAINTENANCE EXPENSES
SUPPLEMENTAL STATEMENT
MANUFACTURED GAS

<u>Prime</u>	<u>Description</u>	<u>Amount for Current Year</u>	<u>Amount for Previous Year</u>
713.00	Environmental Clean-Up Costs	31,913,627	24,354,659

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
	B2. Products Extraction (Continued)		
48	Maintenance		
49	784 Maintenance Supervision and Engineering		
50	785 Maintenance of Structures and Improvements		
51	786 Maintenance of Extraction and Refining Equipment		
52	787 Maintenance of Pipe Lines		
53	788 Maintenance of Extracted Products Storage Equipment		
54	789 Maintenance of Compressor Equipment		
55	790 Maintenance of Gas Measuring and Reg. Equipment		
56	791 Maintenance of Other Equipment		
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)		
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)		
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals		
62	796 Nonproductive Well Drilling		
63	797 Abandoned Leases		
64	798 Other Exploration		
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)		
66	Operation		
67	800 Natural Gas Well Head Purchases		
68	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
69	801 Natural Gas Field Line Purchases		
70	802 Natural Gas Gasoline Plant Outlet Purchases		
71	803 Natural Gas Transmission Line Purchases		
72	804 Natural Gas City Gate Purchases	1,880,950,184	914,133,667
73	804.1 Liquefied Natural Gas Purchases		
74	805 Other Gas Purchases		
75	(Less) 805.1 Purchased Gas Cost Adjustments	60,481,275	5,594,460
76			
77	TOTAL Purchased Gas (Enter Total of lines 67 to 75)	1,820,468,909	908,539,207
78	806 Exchange Gas		
79	Purchased Gas Expenses		
80	807.1 Well Expenses - Purchased Gas		
81	807.2 Operation of Purchased Gas Measuring Stations		
82	807.3 Maintenance of Purchased Gas Measuring Stations		
83	807.4 Purchased Gas Calculations Expenses		
84	807.5 Other Purchased Gas Expenses	679	8,846
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	679	8,846
86	808.1 Gas Withdrawn from Storage - Debit	603,385,156	143,024,872
87	(Less) 808.2 Deliveries of Natural Gas for Processing - Credit	793,893,052	129,665,514
88	809.1 Withdrawals of Liquefied Natural Gas for Processing - Debit		
89	(Less) 809.2 Deliveries of Natural Gas for Processing - Credit		
90	Gas Used in Utility Operations - Credit		
91	810 Gas Used for Compressor Station Fuel - Credit		
92	811 Gas Used for Products Extraction - Credit		
93	812 Gas Used for Other Utility Operations - Credit		
94	TOTAL Gas Used in Utility Operations - Credit (Total of lines 91 thru 93)		
95	813 Other Gas Supply Expenses	30,832,238	23,795,657
96	TOTAL Other Gas Supply Expenses (Total of lines 77,78,85,86 thru 89,94,95)	1,660,793,930	945,703,068
97	TOTAL Production Expenses (Enter Total of lines 3,30,58,65 and 96)	1,692,707,557	970,057,727

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
98	2. NATURAL GAS STORAGE, TERMINALING & PROCESSING EXP.		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	224,295	287,551
102	815 Maps and Records		
103	816 Wells Expenses	559,054	629,422
104	817 Lines Expenses	137,707	132,196
105	818 Compressor Station Expenses	825,286	807,154
106	819 Compressor Station Fuel and Power	6,478,295	4,090,108
107	820 Measuring and Regulating Station Expenses	164,983	183,367
108	821 Purification Expenses	404,029	348,263
109	822 Exploration and Development		
110	823 Gas Losses		
111	824 Other Expenses		
112	825 Storage Well Royalties		
113	826 Rents	3,044	3,344
114	TOTAL Operation (Enter Total of lines 101 thru 113)	8,796,693	6,481,405
115	Maintenance		
116	830 Maintenance Supervision and Engineering	165,461	149,315
117	831 Maintenance of Structures and Improvements	450,961	443,055
118	832 Maintenance of Reservoirs and Wells	454,482	410,435
119	833 Maintenance of Lines	547,488	430,370
120	834 Maintenance of Compressor Station Equipment	858,826	882,673
121	835 Maintenance of Measuring and Regulating Station Equipment		
122	836 Maintenance of Purification Equipment	298,286	288,971
123	837 Maintenance of Other Equipment	143,846	223,403
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	2,919,350	2,828,222
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	11,716,043	9,309,627
126	B. Other Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		
129	841 Operation Labor and Expenses		
130	842 Rents		
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation (Enter Total of lines 128 thru 133)		
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements		
138	843.3 Maintenance of Gas Holders		
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment		
141	843.6 Maintenance of Vaporizing Equipment		
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)		
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 145)		

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminating and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor Expenses		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	(Less) 845.5 Wharfage Receipts - Credit		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation (Enter Total of lines 149 thru 164)		
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Maintenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)		
176	TOTAL Liquefied Nat. Gas Terminating and Processing Exp. (Lines 165 & 175)		
177	TOTAL Natural Gas Storage (Enter Total of lines 125, 146 and 176)	12,049,570	9,309,627
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	102,446	121,396
181	851 System Control and Load Dispatching	711,591	843,557
182	852 Communication System Expenses		
183	853 Compressor Station Labor and Expenses		
184	854 Gas for Compressor Station Fuel		
185	855 Other Fuel and Power for Compressor Stations		
186	856 Mains Expense	610,323	710,774
187	857 Measuring and Regulating Station Expenses	712,894	820,345
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses	1,433	
190	860 Rents		
191	TOTAL Operation (Enter Total of lines 180 thru 190)	2,138,687	2,496,072

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
	3. TRANSMISSION EXPENSES (Continued)		
192	Maintenance		
193	861 Maintenance Supervision and Engineering	141,398	171,550
194	862 Maintenance of Structures and Improvements	211,184	238,198
195	863 Maintenance of Mains	596,178	717,365
196	864 Maintenance of Compressor Station Equipment		
197	865 Maintenance of Measuring and Reg. Station Equipment	469,135	572,473
198	866 Maintenance of Communication Equipment		
199	867 Maintenance of Other Equipment	4,602	13,725
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	1,422,497	1,713,311
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	3,561,184	4,209,383
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	4,759,748	4,917,277
205	871 Distribution Load Dispatching	56,269	15,467
206	872 Compressor Station Labor and Expenses		
207	873 Compressor Station Fuel and Power		
208	874 Mains and Services Expenses	15,470,627	15,118,142
209	875 Measuring and Regulating Station Expenses - General	116,953	114,656
210	876 Measuring and Regulating Station Expenses - Industrial	428,504	415,751
211	877 Measuring and Regulating Station Expenses - City Gate Check Station	587,799	742,905
212	878 Meter and House Regulator Expenses	3,807,252	3,667,231
213	879 Customer Installations Expenses	4,925,586	3,947,795
214	880 Other Expenses	271,347	100,481
215	881 Rents	362,398	475,553
216	TOTAL Operation (Enter Total of lines 204 thru 215)	30,786,483	29,515,258
217	Maintenance		
218	885 Maintenance Supervision and Engineering	972,008	672,235
219	886 Maintenance of Structures and Improvements		
220	887 Maintenance of Mains	5,555,905	4,565,543
221	888 Maintenance of Compressor Station Equipment		
222	889 Maintenance of Measuring & Regulating Station Equipment - General	907,487	750,519
223	890 Maintenance of Measuring & Regulating Station Equipment - Industrial	931,077	842,979
224	891 Maintenance of Measuring & Regulating Sta. Equip. - City Gate Check Station		
225	892 Maintenance of Services	2,992,203	2,149,382
226	893 Maintenance of Meters and House Regulators	2,817,264	2,618,838
227	894 Maintenance of Other Equipment		
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	14,175,944	11,599,496
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	44,962,427	41,114,754
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	902,733	974,573
233	902 Meter Reading Expenses	4,051,238	4,640,471
234	903 Customer Records and Collection Expenses	24,368,474	24,014,643
235	904 Uncollectible Accounts	29,761,870	25,716,046
236	905 Miscellaneous Customer Accounts Expenses		
237	TOTAL Customer Accounts Expenses (Enter Total lines 232 thru 236)	59,084,315	55,345,733

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
GAS OPERATION AND MAINTENANCE EXPENSES (Continued)			
Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision		
241	908 Customer Assistance Expenses		
242	909 Informational and Instructional Expenses	355,977	357,770
243	910 Miscellaneous Customer Service and Informational Expenses		
244	TOTAL Customer Service and Information Expenses (Line 240 thru 243)	355,977	357,770
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	25,574	29,006
248	912 Demonstrating and Selling Expenses	2,795,385	3,186,920
249	913 Advertising Expenses	521,740	598,650
250	914 Revenues from Merchandising, Jobbing & Contract Work	(553,992)	(670,499)
251	915 Costs & Expenses of Merchandising, Jobbing & Contract Work	3,626	30,196
252	916 Miscellaneous Sales Expenses	46,893	(19,059)
253	TOTAL Sales Expenses (Enter Total of lines 247 thru 252)	2,839,226	3,155,214
254	8. ADMINISTRATIVE AND GENERAL EXPENSES		
255	Operation		
256	920 Administrative and General Salaries	38,486,436	33,042,856
257	921 Office Supplies and Expenses	17,164,569	15,889,924
258	Less (922) Administrative Expenses Transferred - Credit	15,735,530	11,270,150
259	923 Outside Services Employed	8,163,865	12,657,192
260	924 Property Insurance	1,140,501	755,823
261	925 Injuries and Damages	(7,521,551)	(21,800,404)
262	926 Employee Pensions and Benefits	26,130,219	15,467,201
263	927 Franchise Requirements	4,814,965	4,193,687
264	928 Regulatory Commission Expenses	(212,462)	650,000
265	Less (929) Duplicate Charges - Credit	3,693,321	3,071,122
266	930.1 General Advertising Expenses	14,493	527,744
267	930.2 Miscellaneous General Expenses	5,572,689	5,769,354
268	931 Rents		
269	TOTAL Operation (Enter Total of lines 256 thru 268)	74,324,873	52,812,105
270	Maintenance		
271	932 Maintenance of General Plant	4,195,289	4,226,279
272	TOTAL Administrative and General Expense (Total of lines 269 and 271)	78,520,162	57,038,384
273	TOTAL Gas O. & M. Expenses (Lines 97, 177, 201, 229, 237, 244, 253, and 272)	1,893,746,891	1,140,588,592
<p>Note: Report below the amount of donations for charitable, social or community welfare purposes included in above Account 930.2, Miscellaneous General Expenses.</p> <p>Effective in 2003, donations for charitable, social or community welfare purposes are reported in prime 426.1, Donations (see page 340), rather than prime 930.2, Miscellaneous General Expenses.</p>			
		0	1,039,129

NICOR GAS COMPANY		AN ORIGINAL	DECEMBER 31, 2003
MISCELLANEOUS GENERAL EXPENSES (Account 930.2) (Gas)			
1	Industry association dues		508,753
2	Experimental and general research expenses		325,668
3	Publishing and distributing information and reports to stockholders; trustee, registrar, and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent		
4	Other expenses (items of \$50,000 or more for utilities with operating revenues of \$25,000,000 or less and items of \$250,000 or more for utilities with operating revenues of \$25,000,000 or more must be listed separately in this column showing the (1) purposes, (2) recipient and (3) amount of such items. Amounts of less than \$50,000 for utilities with operating revenues less than \$25,000,000 and amounts less than \$250,000 for utilities with operating revenues greater than \$25,000,000 may be grouped by classes if the number of items so grouped is shown)		
5	Franchise Gas, Gas Supplied Without Charge		3,693,321
6			
7			1,475,000
8			(1,220,000)
9			(516,212)
10			397,690
11			223,126
12			685,343
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49	TOTAL		5,572,689